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MINISTER OF STATE, HM TREASURY

Community Budget for 1986:  
Budget Council 17-18 September 1985

1. Thank you for sending me a copy of your minute of 12 September to the Prime Minister.
2. I have no difficulty with the general line you propose on enlargement and the cost of the past, subject to one or two points. I assume that the additional 540 mecu non-obligatory expenditure in respect of enlargement is additional to the maximum rate. As you point out, this additional sum would be more than covered by the Spanish and Portuguese own resources contribution and would not affect budget discipline. Spain and Portugal are competing for the same budget credits as the existing member states. If provision is not made for them in this way, available Funds would in practice be inadequate to meet outstanding contract obligations to recipients in the UK.
3. In dealing with the problems of the Commission reserve of 235 mecu for Spain and Portugal, no doubt you will bear in mind the undertakings given during the enlargement negotiations that Spain would be in net balance on her contributions and Portugal in small net benefit.
4. On the commitments side, I agree that we should seek to limit new commitments as far as possible with a view to reducing the long term size of the "cost of the past". We shall need the support of Germany and France to achieve this and I understand you have been in touch with them. I am sceptical as to whether the Commission could be persuaded subsequently not to spend commitment appropriations entered into the budget (your para 11).

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5. On a separate point, I understand that the question of staffing after enlargement might come up at the Council. I believe that we should aim for the minimum of new posts and early retirements consistent with our desire to achieve a higher level of British staffing through the early retirement process.

6. I am copying this minute to the Prime Minister, the Secretaries of State for Trade and Industry, Employment, Environment, Scotland, Wales and Northern Ireland, the Minister of Agriculture and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office  
16 September 1985

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